

MEMORANDUM

To: Board of Regents

From: Board Office

Subject: Capital Improvement Budget Requests for FY 2003

Date: August 30, 2001

Recommended Actions:

1. Approve a FY 2003 capital improvement appropriations request of \$71,650,000, which include fire safety and deferred maintenance projects.
2. Approve the FY 2003 tuition replacement appropriations request of \$25,971,403 with the understanding that needs will be reassessed by November 15, 2001.

Executive Summary:

Consistent with the Board's strategic plan, each year the institutions request and the Board recommends capital funding from the state of Iowa. In September 2000, the Board approved a FY 2002 capital budget request of \$57.8 million. The 2001 General Assembly appropriated and the Governor approved funding of \$40.5 million for FY 2002 projects. The funded projects included the Board's first, third and fourth priorities plus the recommended projects at the special schools. The funds were appropriated for FY 2002 – FY 2004.

The following table summarizes the funded projects and the appropriations of the 2001 General Assembly by fiscal year:

Project	FY 2002	FY 2003	FY 2004	Total
SUI – Art Building, Phase I	\$4,453,000	\$7,910,000	\$3,653,000	\$16,016,000
ISU – College of Business	4,200,000	6,700,000		10,900,000
UNI – Steam Distribution System	3,990,000	4,320,000	4,390,000	12,700,000
ISD – Utility System Replacement and Tuckpointing	435,000			435,000
IBSS – HVAC System Upgrade	400,000			400,000
Total	\$13,478,000	\$18,930,000	\$8,043,000	\$40,451,000

The institutions and Lakeside Laboratory have requested capital funding of \$96.6 million for FY 2003. The institutional requests are summarized on Table 1 (page 7) of this docket memorandum. Last year, the institutions requested FY 2002 funding of \$98.7 million and the Board recommended funding of \$57.8 million.

The Board Office recommendation for the FY 2003 capital budget request is consistent with the preliminary recommendation presented to the Board in July 2001. The recommended request, in priority order, is as follows:

**Board Office Recommendation
FY 2003 Capital Budget Request**

<u>Inst</u>	<u>Project</u>	<u>(\$ Thousands)</u>	
Regents	Lakeside Laboratory Improvements	\$ 390	*
ISU	Undergraduate Classrooms and Auditoriums	14,300	*
UNI	Innovative Teaching Ctr. (East Gym Ren.)	18,100	**
SUI	Classroom / Journalism Building	13,375	**
ISU	Coover Hall (Electrical Engineering) – planning	1,000	
UNI	Electrical Distribution Loop System / Load Break Switches – planning	700	
SUI	Chemistry Building – Renovation / Expansion	9,800	
ISU	Livestock Units for Swine & Cattle Research	<u>5,100</u>	*
	Total Projects	\$ 62,765	
	Fire Safety and Deferred Maintenance	<u>8,885</u>	
	Total	\$ 71,650	

* Includes projects recommended by the Board for FY 2002, but not funded.

** Planning funds recommended by the Board for FY 2002, but not funded.

Tuition replacement appropriations represent an ongoing commitment of the state to meet the debt service cost of Academic Building Revenue Bonds. The Board is asked to approve a tuition replacement appropriations request of \$25,971,403 for FY 2003 with the understanding that needs will be reassessed by November 15, 2001. This amount is \$710,311 less than the FY 2002 appropriation.

Background and Analysis:

Since 1995, the Iowa General Assembly has appropriated more than \$230 million from the Infrastructure Fund for capital improvements at the Regent institutions. Included within that amount are the sums of \$66.1 million appropriated by the 1996 General Assembly for FY 1997 – FY 1999, \$70.4 million appropriated by the 1997 General Assembly for FY 1998 – FY 2001, and \$43.2 million appropriated by the 2000 General Assembly for FY 2001 – FY 2004.

The \$230 million total also includes the sum of \$40.5 million appropriated by the 2000 General Assembly for the period FY 2002 – FY 2004 for Regent capital projects included in the Board's FY 2002 capital request.

FY 2003 Capital Improvement Requests

In making recommendations to the Board, the Board Office has reviewed the projects requested by the institutions for FY 2003 and the relationship of these projects to institutional strategic plans. Other criteria used in the review and priority ranking of recommended projects are:

- Priority order of projects in the Five-Year Plan approved by the Board for the prior five-year period with funded projects deleted from the list;
- Priority ranking of projects as submitted by the institutions;
- Prior appropriations for planning and/or construction;
- Consistency of the project with the campus master plan;
- Measure of equity among institutions since they all have demonstrated capital needs greater than the available level of funding; and
- Impact of projects on the state's economic development.

As illustrated on Table 1 (page 7), the Board Office recommendations are generally consistent with the priority order of the Board's requests from the prior year, and with institutional project priority rankings. The recommendations are also cognizant of prior appropriations and recognize that state resources for capital projects are limited. The recommendations include unfunded FY 2002 projects and high priority FY 2003 projects from the FY 2002 – FY 2006 Capital Plan approved by the Board in September 2000. The recommendations focus on improvements to instructional space to enhance the delivery of undergraduate education.

Specific information on the FY 2003 recommended projects is summarized below. Detailed descriptions of the recommended projects are included in Appendix A.

Regents – Lakeside Laboratory Improvements (Priority #1; \$390,000)

This project would provide improvements to Mahan Hall, the largest classroom/lecture space at the Laboratory, and upgrade Macbride Laboratory, one of the teaching classroom/laboratory buildings.

ISU – Undergraduate Classrooms and Auditoriums (Priority #2; \$14,300,000)

This project combines three projects, which previously appeared on the Board's Five-Year Capital Improvement Plan: LeBaron Hall – System Upgrade, General Classrooms and Auditoriums, and Residence System – Academic Program Space. The University has combined the projects and moved the new project to its highest priority due to the need to improve worn and outdated instructional spaces in response to the University's dedication to undergraduate education.

UNI – Innovative Teaching Center (East Gym Renovation) – (Priority #3, \$18,100,000)

The project, which was previously titled East Gym Renovation, will renovate the facility into a teaching and technology center, housing state-of-the-art classrooms and educational technology support personnel.

SUI – Classroom/Journalism Building (Priority #4; \$13,375,000)

The project will construct a new building to serve as a state-of-the-art classroom instructional facility and to house the School of Journalism. The new building will include approximately 20 state-of-the-art classrooms, which will dramatically improve the University's ability to meet its current instructional needs.

ISU – Coover Hall (Electrical Engineering) – Planning (Priority #5; \$1,000,000)

Planning funds are recommended for this project, which will demolish a portion of Coover Hall, construct an addition, and renovate the remaining space in the building to provide modern instructional facilities for the Department of Electrical and Computer Engineering. Construction funds are included in FY 2004 of the FY 2003 – FY 2007 Five-Year Capital Plan. (See G.D. 10.)

UNI – Electrical Distribution Loop System/Load Break Switches – Planning (Priority #6; \$700,000)

Planning funds are recommended for this project, which will upgrade the campus electrical system and install additional cabling and sectionalizing switches to improve the electrical distribution loop. Construction funds are included in FY 2004 of the FY 2003 – FY 2007 Five-Year Capital Plan. (See G.D. 10.)

SUI – Chemistry Building – Renovation/Expansion (Priority #7; \$9,800,000)

The project will correct fire safety, ventilation and utility deficiencies in the east wing, and complete the general upgrading of the 1923 structure to provide a usable, modern facility. This is the first year of a proposed multi-phase funding program to upgrade the Chemistry Building. The recommendation for FY 2003 includes funds to begin the upgrade of the facility and plan for the remainder of the improvements. Additional funding is recommended in the Five-Year Capital Plan. (See G.D. 10.) The University is undertaking a feasibility study to determine the needs for the building. The work to be completed will be refined following the completion of the study. The Board Office anticipates continuing the dialogue with the University regarding this project.

ISU – Livestock Units for Swine and Cattle Research (Priority #8; \$5,100,000)

This request will continue the project to provide new and remodeled support unit space for swine and cattle research in growth and development, disease management, genetic improvement, biotechnology and produce desirability.

Fire and Environmental Safety (\$2,000,000) and Deferred Maintenance (\$6,885,000)

The correction of fire and environmental safety and deferred maintenance has been a priority for the Board of Regents for many years. While significant institutional funds have been committed (as noted in the November annual reports on these items), state capital funding is also needed. The FY 2002 operating budget reductions make resources less available to address fire safety issues and could lead to increases in the amount of deferred maintenance.

Projects requested but not recommended for funding in FY 2003 include two small utility projects at the University of Iowa, which were the lowest ranked institutional priorities. It is recommended that these projects be funded through the University of Iowa's Utility Enterprise System.

Tuition Replacement Appropriations

Tuition replacement appropriations represent an ongoing commitment of the state to meet the debt service cost of Academic Building Revenue Bonds.

Tuition and fee revenues are used for debt service payments on Academic Building Revenue Bonds. The tuition replacement appropriation replaces that university revenue.

The tuition replacement needs are comprised of debt service payments (principal and interest), less the net interest earned on the bonds' reserves and investment earnings on bond proceeds during construction.

The Board's financial advisor, Springsted, Inc., projects tuition replacement needs for each university based on known debt service obligations and the universities' estimates of investment earnings.

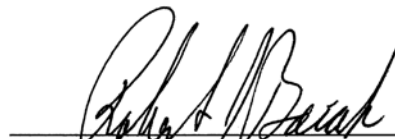
The tuition replacement appropriation request may require modification due to changing interest rates as reserve funds are reinvested or refundings are accomplished.

The FY 2003 tuition replacement appropriation request is \$25,971,403. This amount is less than the FY 2002 tuition replacement appropriation and estimated expenditures of \$26,681,714. No new Academic Building Revenue Bonds have been issued since 1995, and the amount of the needed tuition replacement appropriation is estimated to decline to \$22.8 million by FY 2005 if no new Academic Building Revenue Bonds are issued.

The FY 2002 education appropriations bill requires the Board of Regents, Department of Management and Legislative Fiscal Bureau to determine and agree upon, by November 15, 2001, the amount that needs to be appropriated for tuition replacement for FY 2003. Board Office staff will be working with the Department of Management and Legislative Fiscal Bureau to refine the FY 2003 estimate during fall 2001.


Joan Racki

Approved: _____


Robert J. Barak

9/29/2001 01:46 PM

Appendix A Project Descriptions

Brief descriptions of projects recommended for funding in FY 2003 are as follows:

Regents – Lakeside Laboratory Improvements

FY 2003 Priority #1; \$390,000

Mahan Hall is the largest classroom/lecture space at the Lakeside Laboratory. It is used by large classes, visiting university and high school classes and other groups, and for a variety of public programs. Renovations to the facility would create two unequal rooms: a computer laboratory, and a large state-of-the-art classroom/lecture hall, which would accommodate approximately 60 people.

Work to be accomplished would include: partitioning the building into two rooms; insulating the facility; upgrading the electrical system; installing a heating/cooling unit; constructing bathrooms; and installing a new ceiling and lighting. The entrance will be modified to make the building wheelchair accessible, and the asbestos-containing walls will be removed and replaced.

Funding is also recommended for improvements to Macbride Lab, which is one of four main teaching laboratories/classrooms constructed in 1935 – 1936 by the Civilian Conservation Corps. The buildings have not been renovated or modernized since they were constructed almost 70 years ago; they are antiquated and substandard teaching facilities. The report of an external review of the Laboratory conducted in February 2001 recognized the urgent need to renovate the facilities.

Work would include provision for heating and cooling; insulation of the roof; repair/replacement of windows; upgrade of electrical, plumbing and lighting systems; installation of safety showers and eye washes, modern laboratory benches and storage cabinets, and a fume hood; and construction of an accessible restroom.

ISU – Undergraduate Classrooms and Auditoriums

FY 2003 Priority #2; \$14,300,000

The University currently operates and maintains 233 classrooms, including 13 auditoriums. Introduction of new technology requires computers and servers, projection and display equipment, and connection to telecommunications networks. The classrooms must also be remodeled to create an environment that supports the technology including air conditioning, improved lighting and lighting control, and classroom furniture. Undergraduate students have a number of their classes in these classrooms and auditoriums.

The University has developed a multi-year plan to provide the necessary upgrades. The recommended project would continue implementation of the University's plan for upgrades. High priority projects include the replacement of the LeBaron Hall Auditorium (175 seats) with a modern 400-seat lecture hall, and major renovation to Physics Hall, Rooms 3 and 5.

UNI – Innovative Teaching Center (East Gym Renovation)

FY 2003 Priority #3; \$18,100,000

East Gym was constructed in 1904, with an addition completed in 1938. Much of the building is essentially the same as when it was constructed. The building is located in the academic core of campus. The building became available for renovation and ultimately for classroom use with occupancy of the Wellness / Recreation Center. It was used as temporary classroom space during the renovation of Lang Hall.

The building would be renovated as a teaching and technology center, housing state-of-the-art classrooms and educational technology support personnel. An academic department will be moved to the facility to relieve space pressures in Sabin Hall. The exterior and interior of the building, including mechanical and electrical systems, will be extensively renovated.

SUI – Classroom Building/Journalism

FY 2003 Priority #4; \$13,375,000

This project would construct a new building to serve as a classroom instructional facility and to house the School of Journalism. The University has a shortage of general and technologically sophisticated classrooms. The new building will include approximately 20 state-of-the-art classrooms, which will dramatically improve the University's ability to meet its current instructional needs.

The School of Journalism has been temporarily housed in Seashore Hall during the Engineering Modernization project. (Engineering faculty and staff are temporarily located in the Communications Center.) Planning efforts to renovate the Communications Center for re-occupancy by the School of Journalism have revealed that the needs of the School exceed the space available in that facility. Construction of a new building will provide a cost-effective, long-term solution for facilities problems faced by the School. A fundraising campaign is underway to support this capital project as well as the academic programs of the School. Approximately \$3 million in gift funds have been earmarked for the purchase of equipment for the building, with approximately one-half of the funds to be used for the purchase of furnishings and the remainder to be used to equip the building with specialized technology capable of supporting a modern journalism curriculum.

ISU – Coover Hall (Electrical Engineering) – Planning

FY 2003 Priority #5; \$1,000,000

The Department of Electrical and Computer Engineering is leading efforts to move from instructor-based to student-based learning, from individualistic to team-based education, and from test-preparation education to life-long learning. Another objective is to provide multi-disciplinary research opportunities and build research partnerships with industrial, government and academic resources.

A preliminary study of Coover Hall has identified the following critical needs: adequate space for faculty, staff and graduate student assistants; adequate and updated space for computer and teaching laboratories; appropriately-sized, technology-infused classrooms that contribute to team learning activities; adequate space to support research activities, which are growing at a rate of 25 percent per year; and upgrade of the infrastructure systems in the building to support new technology used by students.

The recommended funds would be used for planning for the demolition of a portion of Coover Hall, construction of an addition, and renovation of the remaining space in the building. Construction funds in the amount of \$13.7 million are included in FY 2004 in the Five-Year Capital Plan (See G.D. 10.) The requested state funding would be matched by \$14.7 million in gifts.

UNI – Electrical Distribution Loop System/Load Break Switches – Planning

FY 2003 Priority #6; \$700,000

Studies have identified major deficiencies in the electrical distribution system and recommended systematic improvements. While sections of the system have been converted to 12,470 volts, a significant portion of the system is 4,160 volts; this portion of the system ranges in age from 26 to 40 years. The project would replace the 4,160 volt system with a new 12,470 volt system, which is a more efficient, reliable and safe electrical system. The project is needed to reduce outage time, accommodate increasing electrical loads, and eliminate potential hazards to University personnel. Planning funds are recommended for FY 2003 with construction funds included in FY 2004 of the Five-Year Plan (FY 2003 – FY 2007). (See G.D. 10.)

SUI – Chemistry Building – Renovation/Expansion

FY 2003 Priority #7; \$9,800,000

This project would include a renovation of approximately 32,000 gross square feet of space of the east wing to be vacated by the Botany program, which will relocate to the Biological Sciences complex when that renovation is complete. The renovation would include the correction of ventilation, fire safety and utility deficiencies similar to work undertaken in previous projects in the west and central wings of the building.

The conceptual plan also includes the remodeling, modernization and expansion of a number of other areas in the building. An architectural and engineering study is underway to define the potential uses of the remodeled space and the need for expansion space.

There is a heavy demand for chemistry courses, and the general classrooms in the Chemistry Building are used extensively. Almost all of the science majors available to undergraduates in the College of Liberal Arts require chemistry courses. Undergraduates in Engineering, Nursing, and in the Clinical Medical Sciences program take chemistry courses, as do Pharmacy students. Many other students take chemistry courses to complete the general education program natural science component, or as part of the science requirement for teacher certification. Graduate students in many programs also take chemistry courses as part of their degree requirements.

Due to the extensive use of the building and the demand for chemistry courses, construction work would need to be phased.

ISU – Livestock Units for Swine and Cattle Research

FY 2003 Priority #8; \$5,100,000

The livestock industry generates more than one-half of Iowa's cash farm receipts; thus research, extension and resident instruction programs to support this industry are critical to the Iowa economy. Iowa will continue to maintain its competitive edge in livestock production in a global economy only by maintaining an edge in research and development.

This request will continue the project to provide new and remodeled support unit space for swine and cattle research in growth and development, disease management, genetic improvement, biotechnology and produce desirability.

Many of the livestock units were family farms when they were acquired in the 1940's and 1950's. While modifications and incremental improvements have been made, advances in research methods and equipment have rendered the facilities obsolete and inadequate to meet the current needs of the livestock industry. The comprehensive remodeling and construction projects will modernize the research centers and provide state-of-the-art research and teaching facilities to complement the on-campus programs in animal science and related disciplines.

The sum of \$3,000,000 was authorized by the 1994 legislature for these units. Projects funded with the FY 1995 funds included: Bilsland Swine Breeding Research Center, Phase 1 (\$700,000); Beef Nutrition and Management Research Center, Phase 1 (\$950,000); Animal Science Teaching Center Addition, Phase 1 (\$950,000); and Animal Science Teaching Center (Swine, Phase 1) (\$400,000).

Projects to be funded from the FY 2003 recommendation include: Bilsland Swine Breeding Research Center, Phase 2 (\$800,000); Animal Science Teaching Center, Phase 2 (\$3,600,000); Beef Nutrition Research Center Feedlot (\$350,000); and Rhodes Research Center, Remodeling and Construction (\$350,000).

Fire and Environmental Safety (SUI, ISU)

FY 2003 Amount: \$2,000,000

A number of fire and environmental safety deficiencies exist in Regent facilities. The State Fire Marshal and the institutions have documented these deficiencies. Each Regent institution cooperates with the State Fire Marshal in establishing fire safety priorities and each institution has a systematic method for determining the priority of fire safety improvements to be undertaken.

While significant institutional funds have been committed for fire and environmental safety over the last few years, state capital funding is also needed. The sum of \$1,000,000 is recommended for both the University of Iowa and Iowa State University.

Deferred Maintenance (All)

FY 2003 Amount: \$6,885,000

The recommended amounts by institution for deferred maintenance resolution are as follows:

<u>Institution</u>	<u>FY 2003 Recommendation</u>
University of Iowa	\$2,000,000
Iowa State University	2,000,000
University of Northern Iowa	2,000,000
Iowa School for the Deaf	435,000
Iowa Braille and Sight Saving School	<u>450,000</u>
Total	\$6,885,000

Deferred maintenance projects are repair items which should have been completed but have not been due to insufficient levels of funding for normal and preventive maintenance. Continued insufficient funding in institutional operating budgets will increase the backlog of deferred maintenance projects.

The FY 2003 recommendations include the following projects at the Iowa School for the Deaf and the Iowa Braille and Sight Saving School:

	<u>Amount</u>
<u>Iowa School for the Deaf</u>	
Utility System Replacement	\$250,000
Tuckpointing	<u>185,000</u>
Subtotal	\$435,000
<u>Iowa Braille and Sight Saving School</u>	
HVAC Upgrade	<u>\$450,000</u>
Subtotal	\$450,000
Total	\$885,000

ISD – Utility System Replacement

This third phase of a multi-year project to upgrade the utility system would provide for the replacement of the steam distribution mains and returns for Giangreco Hall. New modulation controls and convection units would be installed at the same time. The domestic hot and cold water piping would be replaced and new bathroom fixtures installed in the boys' residence area of the facility.

ISD – Tuckpointing

This project would be the second phase in a comprehensive campus program of tuckpointing and waterproofing. Funds appropriated for FY 2002 will tuckpoint the east and west wings and the auditorium area of Giangreco Hall. Funds requested for FY 2003 would tuckpoint the center section of Giangreco Hall and begin work on Long Hall.

IBSSS – HVAC Upgrade

The School's new strategic plan includes significant increases in summer enrollment. The HVAC Upgrade project will help provide a comfortable learning environment for the students during the hot and humid times of the regular school year as well as during the extended summer sessions.

Appropriations for FY 2000 and FY 2002 and institutional funds provided for installation of a geothermal heating and cooling system in Rice Hall.

Funds requested for FY 2003 would provide for expansion of the existing heat pump cooling system in Old Main, the primary classroom and office building. The project would eliminate window units and provide more comfortable cooling at lower operating cost.